

**BEFORE THE UNITED STATES  
DEPARTMENT OF ENERGY  
BONNEVILLE POWER ADMINISTRATION**

Proposed Revised Methodology for )  
Determining the Average System Cost of )  
Resources for Electric Utilities Participating in )  
the Residential Exchange Program Established )  
by Section 5(c) of the Pacific Northwest )  
Electric Power Planning and Conservation Act )  
 )  
 )

**ISSUES LIST OF THE  
PUBLIC POWER COUNCIL**

In response to the request of the Bonneville Power Administration (BPA) that all interested parties file a list of issues with BPA regarding BPA's proposed 2008 Average System Cost (ASC) Methodology, the Public Power Council (PPC) submits the following list of issues that should be addressed by BPA in this proceeding. In submitting this list, PPC intends to preserve all rights to raise additional issues as appropriate and to modify its position from the positions set forth below, based on its review of the documents and arguments considered in this proceeding.

**Issue #1: Should return on equity be included as a resource cost in utilities' ASCs?**

*PPC position and rationale:* Return on equity should not be included because it is not properly characterized as a resource cost, and is not a component of the disparity between resource costs of publics and IOUs that was meant to be addressed through the Residential Exchange Program.

**Issue #2: Should income and revenue related taxes be included as a resource cost in utilities' ASCs?**

*PPC position and rationale:* Income and revenue related taxes should not be included because they are not properly characterized as resource costs, and are not a component of the disparity between resource costs of publics and IOUs that was meant to be addressed through the Residential Exchange Program.

**Issue #3: Should transmission costs be considered resource costs for purposes of determining ASC?**

*PPC position and rationale:* Transmission costs should only be included as resource costs to the extent they are appropriately functionalized as a generation cost or generation input.

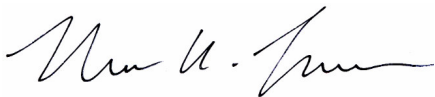
**Issue #4: Should utilities' costs of conservation be included as resource costs in utilities' ASCs?**

*PPC position and rationale:* BPA should abide by its proposal to do case-by-case analyses, and to include conservation costs that relate only to conservation measures for which power is saved by physical improvements or devices.

**Issue #5: What is the appropriate mechanism for doing a "true-up" of utilities' Residential Exchange Program payments once a final ASC methodology is established, which is expected to be after payments to utilities under the new methodology have already begun?**

*PPC position and rationale:* The true-up should involve a recognition of the time value of money, since it will represent an over- or under-payment by BPA, and should be effected over a reasonable number of months.

Respectfully submitted on March 19, 2008.



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